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Financial Report
OF
GEO. A. HORMEL & COMPANY
AUSTIN, MINNESOTA
for the
Fiscal Year Ended October 30, 1943

OFFICERS

Geo. A. Hormel - - - - - Chairman of the Board
Jay C. Hormel - - - - - President
H. H. Corey - - Vice President & General Manager
R. H. Daigneau - - - - - Vice President
Park Dougherty - - - - - Vice President
R. F. Gray - - - - - Vice President
J. L. Olson - - - - - Vice President
C. D. Bigelow - - - - - Secretary
M. F. Dugan - - - - - Treasurer



DIRECTORS

S. D. Catherwood
H. H. Corey
R. H. Daigneau
Park Dougherty
M. F. Dugan
R. D. Gower
John P. Higgins
T. H. Hocker
Geo. A. Hormel
Jay C. Hormel
O. W. O'Berg
L. E. Wakefield

Austin, Minnesota
November 24, 1943

To the Stockholders of
Geo. A. Hormel & Company

The earnings statement and balance sheet of your company for the year ended October 30, 1943, is enclosed herewith.

In dollars, net sales were \$128,410,297.47 which is an increase of 7.52 per cent. \$45,069,827.66 of this represents meat for Army, Navy, and Lend-Lease.

In tonnage, total sales of products for the year amounted to 569,928,313 pounds, which was a decrease of 6,937,130 pounds, or about 1.2 per cent, under a year ago.

The slaughter of calves decreased 27.8 per cent, to 59,467, and cattle 15.6 per cent, to 129,764. However, the number of lambs handled was 537,346, which is 3.6 per cent greater than last year, and the hog slaughter increased 12.3 per cent, to a new all-time high of 1,870,127.

The company continues to price its inventory at the lower of cost or market, as has been its custom in the past. All known bad debts have been charged off in full. Loss on capital assets scrapped or disposed of has been charged off in full. \$600,844.46 has been charged off for depreciation on plant and equipment. The balance sheet carries substantial reserves. All taxes have been provided for, including Social Security accruals. We have no borrowed money nor other indebtedness beyond current and customary bills. Net worth stands at \$13,220,857.89. Net current assets are \$7,797,-667.93. The ratio of current assets to current liabilities is 2.11 to 1.

In general, just as it has been the aim of the management to safeguard the investment and the income of the company's stockholders, it has been the purpose to conduct the business in such a way as to make it of real service to the community, to the public, and to the nation.

Six of our employees already have made the supreme sacrifice

for their country. A number are reported missing in action. 1368 of our men and women are in the armed forces. To these, all of us at home pay our tribute, not in words, but in a continuously improving record of support represented by the bond-buying and by the productivity of our people.

The additional work required by the extra processing involved in the increased quantities of products supplied the government has been accomplished by a smaller number of people. The meat available for civilian supply has been carefully apportioned among our customers. Our accelerated rate of handling livestock has been of outstanding service to the hog producer, who is finding his market limited by slaughtering capacity.

This greater amount of work done by the individual employees reflects itself in the earnings which the business has yielded them. Counting the regular weekly pay checks under the annual wage plan, *plus* production bonuses to those in various production departments, *plus* a year-end payment amounting to 7.013 times each qualified employee's basic weekly wage, the total remuneration of our 5,360 employees this year has been \$12,325,749.14. This is an average of \$2,299.58, which is substantially higher than the average earnings of packing house people.

Our present employees, including our 1368 in the service, are considered to be permanent employees, and comprehensive plans are being made for post-war projects aimed at providing full and dependable employment for them.

JAY C. HORMEL
President

ACCOUNTANTS' REPORT

To the Board of Directors
Geo. A. Hormel & Company
Austin, Minnesota

We have examined the consolidated balance sheet of Geo. A. Hormel & Company and its subsidiary as of October 30, 1943, and the consolidated statements of profit and loss and surplus for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. It was found impracticable to confirm by direct communication the amounts receivable from United States Government agencies as to which we satisfied ourselves by other procedures.

In our opinion, the accompanying balance sheet and related summaries of profit and loss and surplus present fairly the consolidated position of Geo. A. Hormel & Company and its subsidiary at October 30, 1943, and the consolidated results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Certified Public Accountants

Minneapolis, Minnesota
November 24, 1943

CONSOLIDATED

Geo. A. Hormel & Company -

October

ASSETS

CURRENT ASSETS -----			\$14,824,111.16
Cash -----		\$ 2,940,414.11	
U. S. Government Securities—at cost		1,100,000.00	
Trade accounts receivable, less reserve of \$100,000 (including United States government accounts of \$1,937,698.94) -----		3,950,628.18	
Inventories:			
Products—priced on the basis of the lower of year end market or ac- cumulated cost (i.e. market at date of production) -----	\$5,230,948.23		
Livestock—at cost -----	671,403.99		
Supplies—at lower of cost or mar- ket -----	930,716.65	6,833,068.87	
		<u>\$14,824,111.16</u>	
INVESTMENTS AND OTHER ASSETS			304,663.82
Properties not used in operations, at cost less reserves for depreciation of \$19,463.69 -----		\$ 47,114.74	
Sundry securities, notes and accounts less reserve of \$45,000 -----		24,645.87	
Post-war refund of excess profits tax		228,000.00	
Accounts and stock contract receiv- able from employees -----		3,403.21	
Notes receivable from directors of subsidiary company -----		1,500.00	
		<u>\$ 304,663.82</u>	
PROPERTY, PLANT, AND EQUIPMENT			5,082,124.86
	COST	RESERVES	NET BALANCE
Land -----	\$ 141,153.28	\$ — 0 —	\$ 141,153.28
Buildings -----	5,381,503.14	1,681,129.02	3,700,374.12
Machinery and equipment -----	3,328,737.86	2,414,335.72	914,402.14
Leasehold improvements ---	210,539.35	128,019.04	82,520.31
	<u>\$9,061,933.63</u>	<u>\$4,223,483.78</u>	<u>\$ 4,838,449.85</u>
Movable Equipment—inventory basis			243,675.01
			<u>\$ 5,082,124.86</u>
PREPAID—supply inventories, prepaid insurance, etc.			252,588.17
			<u>\$20,463,488.01</u>

BALANCE SHEET

Austin, Minnesota, and Subsidiary

30, 1943

LIABILITIES

CURRENT LIABILITIES -----	\$ 7,026,443.23
Accounts payable, wages and salaries, and other accrued expenses -----	\$ 3,101,242.93
Dividends—payable in November, 1943 ----	255,772.20
Taxes — local, pay roll, and federal capital stock taxes -----	411,703.10
Federal and state taxes on income of the year ended October 30, 1943, and prior years— estimated—NOTE A -----	3,257,725.00
	<u>\$ 7,026,443.23</u>
RESERVE — For contingencies -----	200,000.00
MINORITY INTEREST — in capital stock and surplus of subsidiary -----	16,186.89
CAPITAL STOCK AND SURPLUS -----	13,220,857.89
Preferred stock, cumulative, par value \$100:	
Authorized—48,935 shares	
Issued—Series A, 6%	
(callable at \$105) ----- 14,554 shares	\$ 1,455,400.00
In treasury ----- 100 shares	10,000.00
Outstanding ----- 14,454 shares	<u>\$ 1,445,400.00</u>
Common stock, no par value:	
Authorized - 500,000 shares	
Issued ----- 493,944 shares	\$ 6,116,585.81
In treasury ----- 28,944 shares	358,413.56
Outstanding ----- 465,000 shares	<u>\$ 5,758,172.25</u>
Surplus (consists of earned surplus of pre- decessor corporation, plus undistributed earn- ed surplus of present corporation since Oc- tober 29, 1928, date of incorporation under Delaware Law) -----	6,017,285.64
	<u>\$13,220,857.89</u>

See accompanying notes to financial statements.

\$20,463,488.01

SUMMARY OF CONSOLIDATED PROFIT AND LOSS STATEMENT

Geo. A. Hormel & Company and Subsidiary

Fiscal Year Ended October 30, 1943

Net sales -----		\$128,410,297.47
Cost of products sold; selling, administrative and general expenses, exclusive of items shown separately -----	\$123,036,724.68	
Provision for depreciation and amortization -----	600,844.46	
Provision for contingencies -----	100,000.00	
Interest paid ----- \$	57,761.07	
Minority interest in net profit of subsidiary --	1,700.89	
	<u>\$ 59,461.96</u>	
Less sundry income ---	20,643.98	38,817.98
Less taxes:		
Real estate, personal property and miscellaneous taxes ----- \$	276,771.67	
Capital stock taxes --	51,708.75	
Payroll taxes -----	253,608.91	
	<u>\$ 582,089.33</u>	
Taxes on income—		
Note A		
Provision for the year—estimated:		
Federal normal income tax, surtax and declared value excess profits taxes \$	859,450.00	
Federal excess profits taxes less post-war refund of \$200,000.00 -----	1,800,000.00	
State income taxes --	<u>100,275.00</u>	
TOTAL TAXES ON INCOME -----	\$2,759,725.00	
Less excess provision for prior years ---	20,107.10	
	<u>\$2,739,617.90</u>	
TOTAL TAXES	<u>\$ 3,321,707.23</u>	
		127,098,094.35
	NET PROFIT \$	<u>1,312,203.12</u>

See accompanying notes to financial statements.

SURPLUS SUMMARY

Geo. A. Hormel & Company and Subsidiary

Fiscal Year Ended October 30, 1943

SURPLUS—November 1, 1942 -----	\$5,721,806.52
Net profit for the year -----	1,312,203.12
	<u>\$7,034,009.64</u>
Deduct dividends:	
On preferred stock—\$6 per share ---- \$ 86,724.00	
On common stock—\$2 per share ---- 930,000.00	1,016,724.00
SURPLUS—OCTOBER 30, 1943	<u>\$6,017,285.64</u>

NOTES TO FINANCIAL STATEMENTS

NOTE A— The Company intends, in filing its federal income and excess profits tax return for the year ended October 30, 1943, to claim the benefit of the relief provisions of the Revenue Act of 1942 relating to excess profits income credit for the base years (fiscal years 1937 to 1940 inclusive). A similar claim was filed for the year ended October 31, 1942. While the Company believes it is fully entitled to the relief claimed, full provision for taxes on income has been made in the statements without taking into account the anticipated allowance of the claims. The effect of the claims, if allowed in full, will be a reduction of \$1,050,000 in the net tax provision of which \$800,000 would apply to the fiscal year ended October 30, 1943 and \$250,000 to the year ended October 31, 1942.

NOTE B— Profits of the Company include those from transactions which may be subject to the provisions of the War Profits Control Act providing for the refund of any profits found as a result of renegotiation to be excessive. The transactions for the year ended October 31, 1942, have been reviewed by the District Price Adjustment Board and clearance without refund has been recommended to the Price Adjustment Board at Washington for approval. The Company believes that the profits realized on renegotiable transactions for the year ended October 30, 1943, will likewise be found to be not excessive and therefore no specific provision for refund has been made.

• The Packing Division •

In order to continue to produce great quantities of product for our Army, Navy and Lend-Lease, many fine products have been discontinued to make way for a volume of those products most needed.

Even though a larger quantity of product is required by Government buying agencies, there is still a substantial amount available to our domestic consumers. Great care is taken to fairly distribute that portion of the supply available to the civilian population.

Many new products, as well as old favorites, will be ready after the war. In the meantime, there continues to be a large selection of well known Hormel meats in the markets throughout the country, some of which are listed below.

HORMEL BRANDED LAMB

Hormel's Best
(U. S. Choice)

Hormel Merit
(U. S. Good)

Hormel Value
(U. S. Commercial)

HORMEL BRANDED BEEF

Hormel's Best
(U. S. Choice)

Hormel Merit
(U. S. Good)

Hormel Value
(U. S. Commercial)

Hormel
(U. S. Utility)

HORMEL PORK PRODUCTS

HAM AND BACON —

Delicut Ham
Dairy Baked Ham
Dairy Boiled Ham
Dairy Roast Ham

Minnesota Slab Bacon
Dairy Sliced Bacon
Minnesota Sliced Bacon

SAUSAGE —

Dairy Braunschweiger
Minnesota Liver Sausage
Minnesota Fresh Country Style Pure Pork Sausage
Minnesota Smoked Country Style Pure Pork Sausage

Dairy Frankfurters
Minnesota Baked Luncheon Loaves

MISCELLANEOUS —

Minnesota Lard

Pickled Pigs Feet in Glass

PORK CUTS —

Full line of all Fresh Pork Cuts

DRY SAUSAGE —

Dairy Salami
DiLusso Genoa
Capicola
Austin Salami

Dairy Goteborg
Rosa Pepperoni
Cedar Cervelat
Thuringer

• The Flavor-Sealed Division •

CANNED MEATS

Tin cans contain 99% steel and 1% tin. Both are critical metals, reserved first for war needs. Result—canning of meats for civilian use is greatly curtailed and canning of meats for war purposes comes first. The Hormel production lines have been converted and have manufactured millions of cans of the following new and old products, all supplied to the Army, Navy, Marines, Air Corps and Lend-Lease:

4 OZ. K-RATIONS

Corned Pork and Apple Flakes
Veal and Pork Loaf
Beef and Pork Loaf
Pork and Egg Yolks
Ham and Eggs

24 OZ.-34 OZ. RATIONS

Pork and Gravy
Beef and Gravy
Kidney Hash
Swiss Steak and Gravy
Pork Link Sausage
Pork Bulk Sausage
Vienna Style Sausage
Sliced Bacon

ARMY MESS RATIONS

Chili Con Carne
Corned Beef Hash
Chopped Ham
Pork Luncheon Meat
Pork Tongue
Sliced Dried Beef
14 lb. Slab Bacon

NAVY MESS RATIONS

Canned Ham
Canned Whole Chicken
Beef Stew
Roast Beef
Veal Loaf
Little Pork Sausages

LEND-LEASE (*For our Allies*)

Pork and Soya Sausage
Dehydrated Pork

— SPAM —

Russian Cvinaya Tushonka
Chopped Ham

STILL AVAILABLE for CIVILIANS

SPAM
6 lb. Tongue

12 oz. Spiced Ham
6 lb. Spiced Ham

12 oz. Tongue
6 lb. Luncheon Meat

BACK AFTER VICTORY

Production of our full line, 41 Flavor-Sealed and Dinty Moore canned meat products, plus some newly developed items, will be resumed immediately when hostilities stop. Meanwhile, it is anticipated that limited quantities of the following may be manufactured and distributed for domestic sale in 1944:

Canned Ham

Corned Beef Hash
Chili Con Carne with Beans

3 oz. Spreads

